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C O N F I D E N T I A L SECTION 01 OF 03 BERLIN 003151

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FOR EB/ESC DAS SIMONS, HAYMOND AND EUR/AGS O'KEEFE

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TAGS: [ENRG](#) [ECON](#) [EU](#) [PGOV](#) [PREL](#) [SENV](#) [GM](#)

SUBJECT: EB/ESC DAS PAUL SIMONS MEETINGS WITH GERMAN
OFFICIALS ON ENERGY AND GERMANY'S PRIORITIES FOR ITS G-8
AND EU PRESIDENCIES

Classified By: EMIN Robert F. Cekuta for reasons 1.5 (b) and (d).

11. (C) SUMMARY. On October 20, EB/ESC Deputy Assistant
Secretary Paul Simons met with senior German officials at the

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Foreign Office and the Economic Ministry to discuss issues
associated with energy policy as Germany prepares to take
over the EU and G-8 presidencies in 2007. Interlocutors
discussed Germany's desire to focus the discussions on energy
efficiency and new technology. Germany believes the issue of
climate change and energy are inextricably linked. Our
contacts assured us they will be open to compromise in
discussions on climate, taking into account their partners'
constraints. As the Economic Ministry officials put it, they
did not want to take the approach the UK used on the issue
during its presidency. Regarding Russian energy, German
officials stated their intent to increase diversification of
energy sources. They expressed surprise at Russia's recent
announcement to make Germany into a energy hub for Europe.
The Foreign Ministry also outlined current general German
thinking on its upcoming EU and G-8 presidencies. END
SUMMARY.

GERMANY'S EU PRESIDENCY

12. (U) Victor Elbling, Head of the International Policy
Division at the Foreign Office, said energy will be a major
topic for discussion during Germany's EU presidency. Within
this rubric, Germany will focus strongly on both energy

efficiency and renewable energy. Germany is also focused on Brussels' push to create a common energy market in Europe. On biofuels, Germany is looking at ways to increase production. Germany is currently the largest producer of biodiesel, however he emphasized the domestic price competitiveness of biodiesel will decline as taxes phase in. In looking at clean technology, Elbling said new developments such as carbon capture and storage are important, but one cannot ignore price. The Deputy DG cited the example of Vattenfall's planned clean coal power plant at Schwarze Pumpe that is expected to generate power that will cost 75% more than normal coal-generated electricity.

13. (U) Ministry of Economics and Technology Deputy Director General Hartmut Schneider echoed Elbling's comments on the common European energy market, stating the completion of the internal market in gas and electricity is expected to take place by mid-2007. Schneider also said the European Commission's report on energy echoes Germany's priorities, especially in the area of energy efficiency. On renewables, Germany would like to establish a road map for an increase in the use of renewable energy, noting the European Commission is thinking of sectoral targets. Schneider said the Commission has set a non-binding target for biofuels of 5% by 2010. Germany considers this to be a binding target nationally and will push for a binding target within the EU.

GERMANY'S G-8 PRESIDENCY

14. (U) Elbling raised the topic of Germany's G-8 and EU presidencies and promised a general read-out on current German government thinking. (NOTE. Elbling is the deputy to the German Sous Sherpa Peter Ammon, the MFA's DG for International Economics and Sustainable Development Affairs. END NOTE.) Elbling said energy will be an important issue, but is unlikely to have as high a profile as under the Russian presidency. The leitmotif of Germany's G-8 presidency will be "Growth and Responsibility." Elbling went on to say he sees two pillars developing under this broad theme of 1) the world economy and 2) Africa. The German government would like discussions under the two pillars to converge and complement each other.

15. (U) The world economy pillar will include issues stemming from the growth of emerging market countries and will emphasize, Elbling said, the need for leaders of these countries to take more responsibility for the economic and political issues affecting the world as a whole. Germany wants to focus on finding a more cooperative way forward for dealing with innovation and issues associated with intellectual property rights. It will also look at global imbalances. Chancellor Merkel is interested in investment issues, including conditions affecting investment, barriers to investment, and hedge funds. Officials of the Economic Ministry emphasized the Chancellor is also interested in looking at the impact of global imbalances, investment, innovation, energy and climate change, and availability of raw materials on development and the world economy. Under the Africa pillar, Germany will discuss political issues, the impact of HIV/AIDS, and how to promote good governance.

16. (U) Elbling added Germany plans to host a conference at the end of 2007 to deal with the external aspects of energy security in the "G-8 plus 5" context. The goal is to strengthen markets while also recognizing the role the state has to play in setting a good framework for cooperation. One focus will be on how to integrate new large energy consuming countries, e.g., India and China, into international fora such as the IEA. It is essential, Elbling stressed, to bring these countries into the international discussion on energy matters. In response to DAS Simons' suggestion to do stocktaking on the energy plan of action decided at Gleneagles, Elbling suggested one area would be to look at an expert conference being planned by the Ministry of Economics which will consider clean coal and clean car technology. He cautioned that Germany does not want to overshadow Japan's subsequent presidency which is supposed to look at

implementation of the Gleneagles strategy.

¶17. (U) Ulrich Benterbusch, head of the Economic Ministry's G-8 office, said Germany will emphasize energy in the G-8 context but wants to be sure it does not mimic the debate on energy in St. Petersburg or intrude on Japan's plans to discuss the implementation of Gleneagles commitments. He said Germany will focus on energy efficiency and technology, especially regarding clean fossil fuels, carbon capture and storage, environmentally friendly buildings, and transport. Schneider added that renewables are promising, but are still not a realistic alternative to conventional energy at current prices. Germany expects to hold three major energy events in the G-8 context.

CLIMATE

¶18. (C) In discussing energy, Elbling said Germany wants to raise the issue of climate. Aspects such as climate change and developing new technologies cannot be ignored when discussing energy. He emphasized such a discussion is a major expectation of the German people and, as a result, Chancellor Merkel will need to raise it publicly with the U.S. during Germany's presidency. Elbling said the Kyoto Protocol is only a means to an end. However, it will be important for Germany to raise climate and try to find common ground among all participants.

¶19. (C) Schneider also emphasized Germany's desire to link energy and climate change. Germany will respect its partners' positions, but believes the two issues are inseparable. He reiterated Elbling's point that the Chancellor has her own domestic constituency to address on this issue. Schneider expressed a desire to work closely on language acceptable to all partners in any statement on climate to respect these sensitivities. He added that the Germans do not want to use the approach of HMG on the issue in the run-up to Gleneagles.

RUSSIA

¶10. (C) Both Elbling and Schneider expressed interest in the U.S. reaction to the Russian decision on the development of the Shtokman field. Elbling said the announcement had surprised the German government. He also said the Russians were disappointed with the muted German response to Russian plans to use Germany as an energy hub for its supplies to Western Europe. He agreed with DAS Simons that it is unlikely the Russians will be able to develop Shtokman without western technology and noted the Norwegians are particularly disappointed with the announcement that no foreign firms would be involved in the deal.

¶11. (C) Elbling emphasized the importance of engaging Russia on energy, while being realistic the EU will not be able to go further with the energy charter. (NOTE. The discussions took place early the same day EU leaders met with Russian President Putin in Finland on the issue. END NOTE.) Consuming countries to encourage Russia to invest in its energy infrastructure. He described Gazprom's attempts to secure downstream access as the typical actions of a monopolist and believes Russia sees Saudi Arabia as its role model for its external energy policy. Germany wants to clearly signal its intent to diversify supply sources and is interested in more energy from Norway, North Africa, the Persian Gulf, and the Caspian Sea Region. Germany is also aware, however, that it will continue to rely on Russia for a large portion of its energy needs. DAS Simons agreed on the focus on diversification, noting that it was important to demonstrate to the Russians that European countries are actively exploring alternative energy options.

GERMANY'S NATIONAL ENERGY STRATEGY

¶12. (U) Elbling also detailed the Chancellor's work on developing a national policy on energy to 2020. The latest national energy summit took place on October 9, the next one is expected in the spring of 2007. Elbling said the government is on track to unveil its energy strategy by autumn of 2007. In addition to energy security issues, Elbling noted the participants in the working groups are grappling with the issues of consumer energy prices and the future of nuclear energy in Germany.

¶13. (U) This cable has been cleared by DAS Simons subsequent to his departure from post.

TIMKEN JR